

## CANBY TELEPHONE ASSOCIATION and SUBSIDIARIES

### Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

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#### Note 10 - Other Long-Term Liabilities, continued

##### Cash Flows

MATC does not expect to contribute to its post-retirement benefit plan in 2015.

##### Post-retirement Benefits

2015	\$	12,620
2016		12,620
2017		12,620
2018		12,620
2019		12,620
Years 2020 - 2024		63,105

#### Note 11 - Related Party

The Association entered into an agreement with Consolidated Business Services, LLC (CBS, LLC) in 2012 (Note 4) whereby CBS, LLC will provide accounting, regulatory reporting, management services, and human resource services for the Association. CBS, LLC provided services to the Association in the amount of \$848,382 in 2014 (\$775,577 in 2013). At December 31, 2014, there is \$88,003 payable to CBS, LLC for labor and expenses (\$87,811 was payable to CBS, LLC and \$8,165 was receivable from CBS, LLC at December 31, 2013).

On September 1, 2012, MATC entered into a rental agreement for the use of their office building with CBS, LLC. MATC received rental payments of \$7,000 (\$21,000 during 2013). During 2014, CBS moved out of the building.

# Supplemental Information

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# CANBY TELEPHONE ASSOCIATION and SUBSIDIARIES

## Consolidating Balance Sheets

December 31, 2014

	Mt. Angel Telephone Company	DirectLink of Oregon, Inc.	Canby Telephone Association	Eliminations	Consolidated
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 481,241	\$ 480,042	\$ 3,294,650	\$ -	\$ 4,255,933
Marketable securities	103,011	2,086,969	903,243	-	3,093,223
Accounts receivable	233,685	3,002	1,580,732	(93,924)	1,723,495
Inventory	39,058	-	743,379	-	782,437
Income taxes receivable	129,570	-	-	-	129,570
Prepaid expenses	32,978	3,084	483,708	-	519,770
Total Current Assets	<u>1,019,543</u>	<u>2,573,097</u>	<u>7,005,712</u>	<u>(93,924)</u>	<u>10,504,428</u>
Other Assets and Investments:					
Note receivable	-	800,000	-	(800,000)	-
Other assets	1,489	-	80,626	-	82,115
Investments	44,019	-	995,072	-	1,039,091
Investments, affiliate	-	-	9,615,578	(9,615,578)	-
Deferred income taxes	712,000	-	-	-	712,000
Goodwill	-	-	-	3,974,375	3,974,375
Total Other Assets and Investments	<u>757,508</u>	<u>800,000</u>	<u>10,691,276</u>	<u>(6,441,203)</u>	<u>5,807,581</u>
Property, Plant, and Equipment:					
Property, plant, and equipment	6,527,048	669,711	52,768,180	-	59,964,939
Less accumulated depreciation	<u>4,933,037</u>	<u>398,801</u>	<u>35,400,470</u>	<u>-</u>	<u>40,732,308</u>
Property, Plant, and Equipment, net	<u>1,594,011</u>	<u>270,910</u>	<u>17,367,710</u>	<u>-</u>	<u>19,232,631</u>
	<u>\$ 3,371,062</u>	<u>\$ 3,644,007</u>	<u>\$ 35,064,698</u>	<u>\$ (6,535,127)</u>	<u>\$ 35,544,640</u>



<b>LIABILITIES AND MEMBERS' and STOCKHOLDER'S EQUITY</b>	<b>Mt. Angel Telephone Company</b>	<b>DirectLink of Oregon, Inc.</b>	<b>Canby Telephone Association</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Current Liabilities:</b>					
Current portion of long-term debt \$	189,625	\$ -	\$ -	\$ -	189,625
Accounts payable	106,219	1,806	735,282	(93,924)	749,383
Accrued expenses	25,338	-	511,258	-	536,596
Patronage capital payable	-	-	29,599	-	29,599
Income taxes payable	-	39,849	6,500	-	46,349
Current deferred tax liability	25,900	-	-	-	25,900
Customer deposits and advance billings	82,899	850	861,362	-	945,111
<b>Total Current Liabilities</b>	<b>429,981</b>	<b>42,505</b>	<b>2,144,001</b>	<b>(93,924)</b>	<b>2,522,563</b>
<b>Long-Term Liabilities:</b>					
Long-term debt	800,000	-	-	(800,000)	-
Deferred compensation	-	-	80,626	-	80,626
Other long-term liabilities	101,380	-	922,842	-	1,024,222
<b>Total Long-Term Liabilities</b>	<b>901,380</b>	<b>-</b>	<b>1,003,468</b>	<b>(800,000)</b>	<b>1,104,848</b>
<b>Members' and Stockholder's Equity:</b>					
Memberships	-	-	47,401	-	47,401
Common stock	36,275	9,887,729	-	(9,924,004)	-
Patronage capital	-	-	14,573,185	-	14,573,185
Accumulated earnings (deficit)	2,005,353	(6,223,175)	17,696,784	4,217,822	17,696,784
Accumulated other comprehensive loss	(1,927)	(63,052)	(400,141)	64,979	(400,141)
<b>Total Members' and Stockholder's Equity</b>	<b>2,039,701</b>	<b>3,601,502</b>	<b>31,917,229</b>	<b>(5,641,203)</b>	<b>31,917,229</b>
	<b>\$ 3,371,062</b>	<b>\$ 3,644,007</b>	<b>\$ 35,064,698</b>	<b>\$ (6,535,127)</b>	<b>\$ 35,544,640</b>



# CANBY TELEPHONE ASSOCIATION and SUBSIDIARIES

## Consolidating Statements of Operations

Year Ended December 31, 2014

Schedule II

	Mt. Angel Telephone Company	DirectLink of Oregon, Inc.	Canby Telephone Association	Eliminations	Consolidated
Operating Revenues:					
Local network services	\$ 348,051	\$ -	\$ 2,321,018	\$ (99,681)	\$ 2,569,388
Network access services	1,173,228	-	6,110,417	-	7,283,645
Internet	334,475	-	2,549,988	-	2,884,463
Miscellaneous operating	192,639	73,743	306,996	(15,499)	557,879
Total Operating Revenues	2,048,393	73,743	11,288,419	(115,180)	13,295,375
Operating Expenses:					
Plant specific	431,823	-	2,496,272	(115,180)	2,812,915
Plant nonspecific	120,502	-	2,160,940	-	2,281,442
Customer	309,441	-	1,451,145	-	1,760,586
Corporate	251,430	-	1,882,624	-	2,134,054
Selling, general, and administrative	-	34,652	-	-	34,652
Depreciation and amortization	235,567	13,304	2,522,645	-	2,771,516
Total Operating Expenses	1,348,763	47,956	10,513,626	(115,180)	11,795,165
Operating taxes:					
Operating income taxes	132,641	5,733	8,199	-	146,573
Other operating taxes	46,413	6,145	371,831	-	424,389
Total Operating Taxes	179,054	11,878	380,030	-	570,962
Total Operating Expenses and Taxes	1,527,817	59,834	10,893,656	(115,180)	12,366,127
Operating Margin	520,576	13,909	394,763	-	929,248
Other Income (Expense):					
Interest and investment income	14,137	154,204	112,054	(30,000)	250,395
Interest expense	(54,535)	-	(210)	30,000	(24,745)
Miscellaneous income, net	(245,819)	-	(17,436)	-	(263,255)
Income tax expense	-	(49,751)	-	-	(49,751)
Income from subsidiaries	-	-	352,721	(352,721)	-
Total Other Income (Expense), net	(286,217)	104,453	447,129	(352,721)	(87,356)
Net Margin	\$ 234,359	\$ 118,362	\$ 841,892	\$ (352,721)	\$ 841,892



# CANBY TELEPHONE ASSOCIATION and SUBSIDIARIES

## Consolidating Statements of Cash Flows

Year Ended December 31, 2014

	Mt. Angel Telephone Company	DirectLink of Oregon, Inc.	Canby Telephone Association	Eliminations	Consolidated
<b>Cash Flows from Operating Activities:</b>					
Net margin	\$ 234,359	\$ 118,362	\$ 841,892	\$ (352,721)	\$ 841,892
Adjustments to reconcile net margin to net cash provided by operating activities:					
Depreciation and amortization	235,567	13,304	2,522,645	-	2,771,516
Nonregulated depreciation	-	-	511,466	-	511,466
Net income from subsidiaries	-	-	(352,721)	352,721	-
Loss (Gain) on sale of investments and marketable securities	(2,418)	11,582	(270)	-	8,894
Change in deferred taxes	151,300	-	-	-	151,300
Changes in assets and liabilities:					
Accounts receivable	14,458	3,425	146,569	23,707	188,159
Inventory	(2,565)	-	(242,360)	-	(244,925)
Prepaid expenses	2,107	(23)	38,416	-	40,500
Accounts payable	27,171	(4,682)	620,035	(23,707)	618,817
Accrued expenses	(2,607)	-	(96,397)	-	(99,004)
Income taxes	(168,280)	36,848	6,500	-	(124,932)
Other long-term liabilities	(2,318)	-	(232,381)	-	(234,699)
Customer deposits and advance billings	(24,658)	850	(26,929)	-	(50,737)
Deferred compensation	-	-	2,565	-	2,565
Net Cash Provided by Operating Activities	<u>462,116</u>	<u>179,666</u>	<u>3,739,030</u>	<u>-</u>	<u>4,380,812</u>
<b>Cash Flows from Investing Activities:</b>					
Capital expenditures	(508,859)	-	(3,070,793)	-	(3,579,652)
Purchase of investments and marketable securities	(157,860)	(1,063,552)	(1,399,215)	-	(2,620,627)
Proceeds from investments and marketable securities	102,244	712,993	690,271	-	1,505,508
Change in other assets	<u>305</u>	<u>-</u>	<u>(2,565)</u>	<u>-</u>	<u>(2,260)</u>
Net Cash Used by Investing Activities	<u>\$ (564,170)</u>	<u>\$ (350,559)</u>	<u>\$ (3,782,302)</u>	<u>\$ -</u>	<u>\$ (4,697,031)</u>



	Mt. Angel Telephone Company	DirectLink of Oregon, Inc.	Canby Telephone Association	Eliminations	Consolidated
Cash Flows from Financing Activities:					
Principal payments on long-term debt \$	(304,500)	\$ -	\$ -	\$ -	(304,500)
Excise tax refunds received	-	-	2,414	-	2,414
Payments to estates, net	-	-	(69,482)	-	(69,482)
Patronage capital paid, net	-	-	(62)	-	(62)
Net Cash Used by Financing Activities	(304,500)	-	(67,130)	-	(371,630)
Net Decrease in Cash and Cash Equivalents	(406,554)	(170,893)	(110,402)	-	(687,849)
Cash and Cash Equivalents, beginning	887,795	650,935	3,405,052	-	4,943,782
Cash and Cash Equivalents, ending	<u>\$ 481,241</u>	<u>\$ 480,042</u>	<u>\$ 3,294,650</u>	<u>\$ -</u>	<u>\$ 4,255,933</u>
Cash Paid During the Year for Interest	<u>\$ 54,535</u>	<u>\$ -</u>	<u>\$ 233</u>	<u>\$ (30,000)</u>	<u>\$ 24,768</u>
Cash Paid During the Year for Taxes	<u>\$ 149,621</u>	<u>\$ 18,635</u>	<u>\$ 1,549</u>	<u>\$ -</u>	<u>\$ 169,805</u>

